



Ontario

Ministry
of Revenue

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Retail Sales
Tax Branch

Information Bulletin

Retail Sales Tax Act

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REMINDER

HOTELS, MOTELS, RESTAURANTS

RETURN TO 7% TAX RATE JANUARY 1, 1982

Temporary exemptions from retail sales tax on charges for lodging in hotels, motels, resorts, etc., will expire on December 31, 1981. The temporary exemption from tax on purchases of certain food preparation equipment and furnishings allowed to restaurant and lodging establishments will also expire on this date.

The expiry of these temporary programs was announced by the Treasurer of Ontario in November, 1980.

Information for the transition to the tax rate of 7% is presented below in summary form. Further information is available at Retail Sales Tax District Offices listed on page 4 of this bulletin.

HIGHLIGHTS

- **HOTELS, MOTELS, LODGING ESTABLISHMENTS AND RESTAURANTS**
 - Return to 7% Tax Rate: Food Preparation Equipment and Furnishings
- **HOTELS, MOTELS, AND LODGING ESTABLISHMENTS**
 - Return to 7% Tax Rate: Transient Accommodation
 - American Plan
 - Complimentary Transient Accommodation
 - Meals and Accommodation For Employees
 - Charges for Recreational Facilities and Equipment



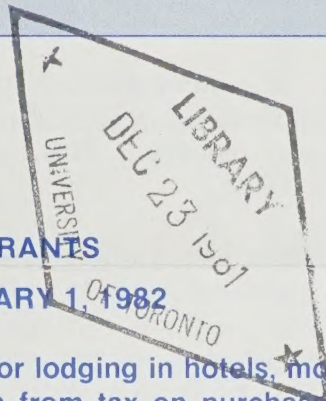
RETURN TO 7% TAX RATE — FOOD PREPARATION EQUIPMENT AND FURNISHINGS FOR LODGING AND RESTAURANT ESTABLISHMENTS

The temporary exemption from retail sales tax on purchases of certain items of furnishings and equipment for businesses providing lodging or meals to the public will expire on December 31, 1981.

Businesses should note the delivery requirements at the end of the program. In order to obtain the exemption, an eligible purchaser must take physical delivery of the equipment or furnishings on or before December 31, 1981. Sales of these items on or after January 1, 1982 are taxable at 7%. In addition, sales made just before the end of the program, for example on December 31, 1981, but delivered on or after January 1, 1982, are subject to 7% retail sales tax.

Where the equipment or furnishings are leased, retail sales tax will apply on the monthly rental charge after December 31, 1981.

Existing lease agreements made during the period of the temporary exemption, April 11, 1979 to December 31, 1981 are affected by the expiry of the exemption. Retail sales tax of 7% is payable on monthly rental charges for the period of the lease that goes beyond December 31, 1981.





RETURN TO 7% TAX RATE — LODGING IN HOTELS, MOTELS, RESORTS, ETC.

The temporary exemption from retail sales tax on charges for transient accommodation, including arrangements for accommodation and food under the American Plan, will expire on December 31, 1981.

Transient accommodation means lodging provided by a hotel, motel, resort, or other lodging establishment for a period of less than a month. For these purposes, a month is made up of the number of days in the calendar month in which the transient accommodation commences.

Retail sales tax of 7% applies on the charges for transient accommodation from January 1, 1982. As a practical matter, the billing day commencing any time on December 31, 1981 and ending on January 1, 1982 attracts no retail sales tax. The billing day commencing on or after January 1, 1982 attracts retail sales tax.

Transient accommodation does not include continuous lodging for one month or more, nor lodging where less than four rooms, suites of rooms, apartments, cottages or cabins are provided for the accommodation of tenants.

The following illustrations further explain the application of retail sales tax on and after January 1, 1982

Illustration No. 1: Assume a \$30.00 per day rate. Check-out time is noon daily.

A guest who checks-in at 3:00 p.m. on Wednesday, December 30, 1981 and leaves before noon on Saturday, January 2, 1982 will pay retail sales tax of \$2.10 for the billing day January 1 to January 2, 1982.

Illustration No. 2: Assume a weekly rate of \$280.00. The week counts from noon on the day of check-in to noon on the same day in the following week.

A guest who checks-in on Monday, December 28, 1981 is subject to tax on the proportionate part of the billing week that falls in the period commencing at noon on January 1, 1982. The amount of the tax is \$8.40 calculated as:

$$7\% \text{ of } \frac{\$280.00}{7 \text{ days}} \times 3 \text{ days} = 7\% \text{ of } \$120.00 = \$8.40$$

The 3 days are from noon on January 1 to noon on January 4, 1982.



AMERICAN PLAN

Some establishments providing transient accommodation operate under the American Plan. Under this plan, the purchaser is charged a single rate for both accommodation and meals. The Retail Sales Tax Branch has approved special formulas and tax tables which facilitate the calculation of tax by vendors using this plan.

The special formulas and tax tables take into account the 7% rate of retail sales tax on the purchase price of transient accommodation and the 10% rate on the price of prepared meals for more than \$6.00. The vendor using the American Plan is not required to apportion the single daily or weekly charge between accommodation and meals. Instead, he uses the formula or the tax table to determine the applicable amount of tax.

American Plan formulas and related tables are set out on page 3 of this bulletin in Tables A and B. Table A sets out the tax applicable on the daily rate per person and the formula for calculating the amount of tax if the table is not used. Table B is similarly arranged and sets out the tax applicable on the weekly rate per person. If the table is not used the formula at the end of the table should be used.

The following illustrations further explain the application of retail sales tax under the American Plan on and after January 1, 1982.

Illustration No. 1: Assume a daily rate of \$60.00. Check-out time is noon daily.

A guest who checks-in at 2:00 p.m. on Thursday, December 31, 1981 and checks-out at 11:00 a.m. on Wednesday, January 6, 1982 will pay retail sales tax for 5 days from noon on January 1, to noon on January 6, 1982. The amount of the tax is \$15.00 calculated by using the formula in Table A on page 3 of this bulletin.

Illustration No. 2: Assume a weekly rate of \$385.00. The week is counted from 1:00 p.m. on the day of check-in to 1:00 p.m. on the same day in the following week.

A guest who checks-in at 4:00 p.m. on Tuesday, December 29, 1981 and checks-out at 10:00 a.m. Tuesday, January 5, 1982 will pay retail sales tax based on the proportionate part of the billing week that falls in the period commencing at noon on January 1, 1982. The amount of tax is \$11.00 calculated by using the formula in Table B on page 3 of this bulletin as follows:

$$5\% \text{ of } \frac{\$385.00}{7 \text{ days}} \times 4 \text{ days} = 5\% \text{ of } \$220.00 = \$11.00$$

The 4 days are from 1:00 p.m. on January 1 to 1:00 p.m. on January 5, 1982.

TABLE "A"

Retail Sales Tax
Tax Schedule For Daily Charges Made Under
The American Plan
As of January 1, 1982

Daily Charge Per Person	Daily Tax Per Person	Daily Charge Per Person	Daily Tax Per Person
\$	\$	\$	\$
<u>Exempt</u>		<u>Tax Formula</u>	
.00 to 6.00.....	.00	24.51 to 25.50.....	1.25
<u>Tax Formula</u>		25.51 to 26.50.....	1.30
6.01 to 7.50.....	.21	26.51 to 27.50.....	1.35
7.51 to 8.50.....	.24	27.51 to 28.50.....	1.40
8.51 to 9.50.....	.27	<u>Tax Formula</u>	
9.51 to 10.50.....	.30	28.51 to 29.50.....	1.45
10.51 to 11.50.....	.33	29.51 to 30.50.....	1.50
11.51 to 12.50.....	.36	30.51 to 31.50.....	1.55
12.51 to 13.50.....	.39	31.51 to 32.50.....	1.60
13.51 to 14.50.....	.42	32.51 to 33.50.....	1.65
14.51 to 15.50.....	.45	<u>Tax Formula</u>	
15.51 to 16.50.....	.48	33.51 to 34.50.....	1.70
16.51 to 17.50.....	.51	34.51 to 35.50.....	1.75
17.51 to 18.50.....	.54	35.51 to 36.50.....	1.80
18.51 to 19.50.....	.57	36.51 to 37.50.....	1.85
19.51 to 20.50.....	.60	37.51 to 38.50.....	1.90
20.51 to 21.50.....	.63	38.51 to 39.50.....	1.95
21.51 to 22.50.....	.66	39.51 to 40.50.....	2.00
22.51 to 23.50.....	.69	40.51 to 41.50.....	2.05
23.51 to 24.50.....	.72	41.51 to 42.50.....	2.10
		42.51 to 43.50.....	2.15
		43.51 to 44.50.....	2.20
		44.51 to 45.50.....	2.25
		45.51 to 46.50.....	2.30
		46.51 to 47.50.....	2.35
		47.51 to 48.50.....	2.40
		48.51 to 49.50.....	2.45
		49.51 to 50.50.....	2.50
		50.51 to 51.50.....	2.55
		51.51 to 52.50.....	2.60
		52.51 and over.....	5%

Instead of using the tax table, vendors may use the following formula tax rates to calculate tax on DAILY charges made under the American Plan:

Range of Daily Charges Per Person	Formula Tax Rate
0 to \$6.00	Nil
\$6.01 to \$24.50	3% of total charge
\$24.51 and over	5% of total charge

TABLE "B"

Retail Sales Tax
Tax Schedule For Weekly Charges Made Under
The American Plan
As of January 1, 1982

Weekly Charge Per Person	Weekly Tax Per Person	Weekly Charge Per Person	Weekly Tax Per Person
\$	\$	\$	\$
<u>Exempt</u>		<u>Tax Formula</u>	
.00 to 42.00.....	.00	168.01 to 173.00.....	8.50
<u>Tax Formula</u>		173.01 to 178.00.....	8.75
42.01 to 48.00.....	1.35	178.01 to 183.00.....	9.00
48.01 to 53.00.....	1.50	183.01 to 188.00.....	9.25
53.01 to 58.00.....	1.65	188.01 to 193.00.....	9.50
58.01 to 63.00.....	1.80	<u>Tax Formula</u>	
63.01 to 68.00.....	1.95	193.01 to 198.00.....	9.75
68.01 to 73.00.....	2.10	198.01 to 203.00.....	10.00
73.01 to 78.00.....	2.25	203.01 to 208.00.....	10.25
78.01 to 83.00.....	2.40	208.01 to 213.00.....	10.50
83.01 to 88.00.....	2.55	213.01 to 218.00.....	10.75
88.01 to 93.00.....	2.70	<u>Tax Formula</u>	
93.01 to 98.00.....	2.85	218.01 to 223.00.....	11.00
98.01 to 103.00.....	3.00	223.01 to 228.00.....	11.25
103.01 to 108.00.....	3.15	228.01 to 233.00.....	11.50
108.01 to 113.00.....	3.30	233.01 to 238.00.....	11.75
113.01 to 118.00.....	3.45	238.01 to 243.00.....	12.00
118.01 to 123.00.....	3.60	<u>Tax Formula</u>	
123.01 to 128.00.....	3.75	243.01 to 248.00.....	12.25
128.01 to 133.00.....	3.90	248.01 to 253.00.....	12.50
133.01 to 138.00.....	4.05	253.01 to 258.00.....	12.75
138.01 to 143.00.....	4.20	258.01 to 263.00.....	13.00
143.01 to 148.00.....	4.35	263.01 to 268.00.....	13.25
148.01 to 153.00.....	4.50	<u>Tax Formula</u>	
153.01 to 158.00.....	4.65	268.01 to 273.00.....	13.50
158.01 to 163.00.....	4.80	273.01 to 278.00.....	13.75
163.01 to 168.00.....	4.95	278.01 to 283.00.....	14.00
		283.01 to 288.00.....	14.25
		288.01 to 293.00.....	14.50
		293.01 to 298.00.....	14.75
		298.01 to 303.00.....	15.00
		303.01 to 308.00.....	15.25
		308.01 to 313.00.....	15.50
		313.01 to 318.00.....	15.75
		318.01 to 323.00.....	16.00
		323.01 to 328.00.....	16.25
		328.01 to 333.00.....	16.50
		333.01 to 338.00.....	16.75
		338.01 to 343.00.....	17.00
		343.01 to 348.00.....	17.25
		348.01 to 353.00.....	17.50
		353.01 to 358.00.....	17.75
		358.01 to 363.00.....	18.00
		363.01 and over.....	5%

Instead of using the tax table, vendors may use the following formula tax rates to calculate tax on WEEKLY charges made under the American Plan:

Range of Weekly Charges Per Person	Formula Tax Rate
0 to \$42.00	Nil
\$42.01 to \$168.00	3% of total charge
\$168.01 and over	5% of total charge

The tax tables shown above give effect to the 7 per cent tax rate on accommodation and the 10 per cent tax rate on prepared meals over \$6.00.



COMPLIMENTARY TRANSIENT ACCOMMODATION

Operators of lodging establishments occasionally provide transient accommodation without charge to customers, entertainers, employees and members of their own family. On January 1, 1982 such transient accommodation returns to a taxable status. Retail sales tax of 7% is payable by the operator of the establishment on the cost of the transient accommodation.

The cost may be actual cost. Alternatively, cost may be estimated as 40% of the regular daily or weekly rate.



MEALS AND ACCOMMODATION FOR EMPLOYEES

Meals and accommodation provided to employees of lodging establishments may be taxable. How the tax applies and the amount on which it is calculated depend on the factors discussed below.

Charge to Employee

Where a single charge is made to an employee for both meals, and accommodation of less than a month, retail sales tax is due from the employee, based on the American Plan. This requires the use of one of the formulas or schedules in Tables A and B on page 3 of this bulletin. If the charge is \$6.00 per day or less or \$42.00 per week or less, no tax applies.

Where a single charge is made to an employee for meals, and for accommodation for a continuous period of a month or longer, the employer must determine how much of the charge is for meals only. This is because no retail sales tax is payable on accommodation of a month or longer, but retail sales tax of 10% is payable by the employee on every meal of more than \$6.00.

No Charge to Employee

Where an employer provides meals and accommodation at no charge to an employee, the employer pays retail sales tax where applicable.

The employer pays no retail sales tax on:

- continuous accommodation of a month or longer for any one employee
- any meal costing \$6.00 or less.

If tax is due he may calculate his liability as 10% of his actual cost of meals, and 7% of his actual cost of accommodation. Alternatively, cost may be estimated, and the appropriate tax rate applied to determine the employer's tax liability. Cost is estimated by using the following formulas:

- Prepared Meals 60% of regular selling price
- Transient Accommodation 40% of regular daily or weekly rate.



CHARGES FOR RECREATIONAL FACILITIES AND EQUIPMENT BY LODGING ESTABLISHMENTS

Charges for the use of recreational facilities remain exempt from retail sales tax provided that they are separately billed. Examples of such charges are those for the use of golf courses, tennis courts, swimming pools, ski-tows, and similar facilities.

Charges for the rental of items such as skis, snowmobiles, golf clubs, boats, and similar equipment remain taxable at 7%.

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA, AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108 ZENITH 71820	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 325-9587 ZENITH 71830	TORONTO M4P 1H6	2300 Yonge St. 10th Floor 487-7161 ZENITH 71800
HAMILTON L8P 1B4	361 King Street West 528-8393 ZENITH 71440	OTTAWA K1H 8K7	1355 Bank Street 523-9760 ZENITH 71400	WELLAND L3B 3Z7	76 Division Street 732-1318 (in St. Catharines and Niagara Falls) 688-1360 ZENITH 71410
KITCHENER N2M 1N2	449 Belmont Ave. West 576-8400 ZENITH 71020	SUDBURY P3E 5P9	Ontario Government Building 199 Larch St. 675-4351 ZENITH 71850	WINDSOR N9A 6V9	250 Windsor Ave. 252-4404 ZENITH 71450
LONDON N6C 4P4	310 Wellington Road 433-3901 ZENITH 62350	THUNDER BAY P7C 5G6	Ontario Government Bldg. 435 James Street South P.O. Box 5000 475-1681 ZENITH 72310		
NORTH BAY P1B 2H3	1500 Fisher Street Northgate Plaza 474-4900 ZENITH 71420 Toll Free 1-800-461-1564				